BECG 04

26/03/2012

Business Ethics & Corporate Governance.

Roll No.

Total No. of Printed Pages: 4

Total No. of Questions : 5 – (Section I)
5 – (Section II)

Maximum Marks : 30 + 30 = 60

Duration (hrs.) : 3

Section I

Note :

1. Question No. 1 is compulsory
2. Answer any 2 out of the remaining 4 questions
3. All questions carry equal marks (10 marks)
4. Each Section to be solved on SEPARATE Answer Books.

Q1. Read the following case study and answer the questions given below.

Priya is the Sales Manager of a highly respected supplier firm that is seeking a very critical 'make or break' order from one of its important customers. Priya is visiting the customer's Purchase Manager, whom she knows for many years. During their meeting, the Purchase Manager gets a call from his CEO, asking him to meet him for a few minutes. Profusely apologizing for having to leave the meeting with Priya, the Purchase Manager promises to be back in a few minutes. After the door closes behind him, Priya realizes that she is all alone in the Purchase Manager's cabin and sees that the file with all the competitive information is on the table, left open, as the Purchase Manager left in a hurry. What should Priya do? She has the option of peeping into the file, and learn that her company's quote is about 5 per cent more than the competitor's price offering. This vital piece of information would enable her to drop her company's offering price through a revised commercial offer, surely guaranteeing that she gets the order. On the other hand, if it later became known that her price was indeed dropped because the competitors' price quotes leaked, her long-term acquaintance, the Purchase Manager, who left his cabin trusting her, could be in deep trouble, not counting the damage to her own and her company's reputation. She also had to keep in mind that business was getting hard to come by, and this order could keep her company busy for many months to come.

Question : What is the ethical dilemma in this case? What is your advice to Priya?

Q2. Discuss in detail the importance of business ethics.

Q3. As a manager what measures will you take to create an ethical working environment?

Q4. What are the principles of good corporate governance?

Q5. What is the key take home for the business from the Caux round table?

Section II

Note :

Question 1 is compulsory.
Choose any 2 from the remaining questions.
All questions carry equal marks

1) Read the case study given below and answer the following:

Jaya has been concerned about the profitability of the various items in her line of potato chips. According to her potato suppliers, the recent drought caused a 35 percent reduction in the potato crop compared to one year ago, resulting in a 25 percent hike in potato prices to large buyers like Jaya's company. Potatoes accounted for almost all of the content of her chips (which also consisted of vegetable oil, one of three different flavoring spices, and salt), plus there were packaging costs. To hold the line on margins, which of late had been slim at only about 5 percent due to fierce competition from several other local and regional brands, Jaya would need to raise potato chip prices about 15 percent. On her most popular 200 gms size, which had a price spot of Rs 10, on the package, this would require a price hike of Rs 1.50, bringing the price up to Rs. 11.50. Jaya wondered what would be the appropriate strategy to deal with this unfortunate circumstance. She was very reluctant to raise the price to maintain the margin. First, she feared incurring the bad will of her loyal customers; it wouldn't be perceived as fair by them. Moreover, she was worried about competitive responses; her other larger competitors might be willing to incur a loss in the short-run to keep their customer bases and to attract price-hiking rivals' customers. Jaya couldn't afford such a strategy since she was evaluated solely on the basis of monthly net profits. Historical data in this industry revealed another possible competitive maneuver in the face of rising ingredient costs: hold the line on prices and package size while reducing the net weight of the package.

Jaya was concerned that this might be a deceptive practice. She recalled from a Consumer Behaviour course she had taken in college a concept known as the "just noticeable difference." This said that relatively small changes in a stimulus (such as a price hike or content shrinkage) go unnoticed by consumers. Jaya felt intuitively that the price increase necessary to maintain margins would be noticed, given the price sensitivity of buyers for snack foods. However, the past industry data suggested that perhaps buyers might not notice the package size reduction needed to sustain profits, which in this case would be 185 gms.

Jaya asked her boss, Parathy, the Marketing Director, about the advisability of reducing the net weight of the potato chips. Parathy said that this was a practice known variously as "downsizing" and "package shorting." It was a very common practice among packaged goods manufacturers. For instance, he said, candy bar manufacturers are subject to constantly fluctuating ingredient prices, and because there are expected ("fair" or "reference") prices for candy bars, package sizes are frequently adjusted without informing consumers. The Food and Drug Administration had no laws against the practice. Parathy recommended downsizing the potato chips, but he made it clear to Jaya that the ultimate decision was up to her. Jaya still had her doubts. After all, it would seem that consumers who are in the habit of buying a particular product size generally don't scrutinize the net weight label on subsequent purchases. If this were true, it seemed to Jaya that downsizing would be a deceptive practice.

Questions:

A. Analyze the situation considering the following key components of Ethical decision-making process: (8 marks)

- Ethical Issues intensity
- Individual Factor
- Organizational Factors
- Opportunity

B. What would you do if you are in place of Jaya? (2 marks)

Answer any two from the following:

2) Fun Foods Ltd. Manufactured packages food made from fruits for children. Rohan Sharma, operations manager of the food processing unit, felt that some defects in one of the processing systems used may contaminate the final processed product. The management, however, did not agree with him and argued that the possibility of contamination was low. The management wanted to ignore the problem as the system reduced the time and cost of production. It therefore argued that since the system produced cost effective products, it was good for customers and the company to continue with it. Analyze this situation from the customers' and management's point of view in the light of the following ethical theories:
   - Egoism
   - Utilitarianism
   - Altruism

3) Can Corporate Social Responsibility (CSR) be considered as a Business Strategy for Sustainable Development? What are the advantages associated with CSR initiatives?

4) What are the key recommendations made in the Cadbury Committee Report?

5) Critically examine the Gandhian Wealth management Principles with reference to Trusteeship management.